



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

January 20, 1983

SUBJECT: Handling of Debt Settlement Actions

TO: State Directors, District Directors, County Supervisors,
Director, Finance Office

We have completed our annual review of debt settlements approved by State Directors and submitted to the Finance Office during the past year. State Directors are requested to review our findings and take affirmative action to assure that debt settlements are processed correctly in the future. The following is a list of the major problems and discrepancies that we found:

1. A majority of the debt settlements submitted to the Finance Office were for small amounts as a result of human error. More time and care must be taken in determining pay-off figures. Examples are:
 - a. Wrong pay-off amounts received from the inquiry station.
 - b. The interest credit agreement is cancelled but the daily interest accrual is not increased.
 - c. Interest is not figured properly when payment checks are returned because of insufficient funds.
 - d. Daily interest accrual figures are wrong.
 - e. Costs paid by voucher are not being charged to the account prior to calculating a pay-off.
2. Debt settlements are being approved where the indebtedness exceeds approval authority of the State Director. The State Director has approval authority when the indebtedness involved in the settlement is less than \$25,000, including principal, interest and other charges.
3. Debts discharged in bankruptcy are being submitted to the Finance Office without the copy of the discharge attached.

EXPIRATION DATE: September 30, 1983

FILING INSTRUCTIONS: File
Preceding FmHA Instruction 456.1



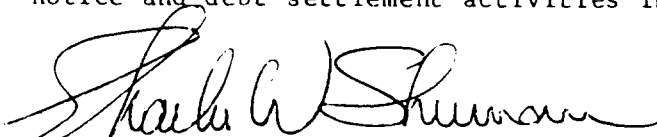
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- d. Parts III and IV of Form FmHA 456-1 are not being completed so repayment ability can be properly evaluated.

The following additional problems involving debt settlements submitted to the National Office were observed:

1. Debt settlements were submitted without the summary required by FmHA Instruction 456.2
2. Compromise and adjustment offers of insignificant amounts have been submitted. It is not FmHA policy to accept token offers.
3. Debts are not being accelerated at the time liquidation is approved as prescribed in FmHA Instruction 1955.15 (d) (2) and 1962.40 (c). This can delay debt settlement action and cause a greater loss to the Government.
4. Legal action is not being requested prior to expiration of the six year Statute of Limitation. FmHA Instruction 1927-A should be followed to protect the interest of the Government.
5. Chattel security is not being accounted for as required in FmHA Instruction 1962.18 (c).

The proper handling of debt settlement actions continues to be a concern of the National Office. We suggest that more attention be given to this important phase of our loan program by State staffs and District Directors as well as County Supervisors. Adequate time should be allotted at State and District staff and training meetings to review this notice and debt settlement activities in your State.



CHARLES W. SHUMAN
Administrator